

## Trading Arrangements

### 1. Where an issuer's disclosure obligations are deferred under the FIRO<sup>1</sup>, will dealings in structured products of such issuer be suspended?

There is no automatic suspension of dealings in structured products of such issuer, but the FIRO provides that the resolution authority may direct the Exchange to suspend, or not to suspend, dealings in structured products of an issuer despite its disclosure obligations have been deferred under the FIRO.

According to Part 9<sup>1</sup> of the FIRO, the resolution authority must consult the SFC (if the SFC is not the resolution authority) before its exercise of any powers to defer disclosure obligations or suspend, or not suspend, dealings to enable the SFC's views to be ascertained (including e.g. on the effects of deferral, suspension or non-suspension on the market, and financial stability).

Any decision to exercise such powers would not be taken lightly by a resolution authority given their potential risks and ramifications for the stability and effective functioning of the financial system. Ultimately, the extent to which the resolution authority would use any of these powers on failure of an institution would depend upon its assessment of the risks posed to the orderly resolution, its balancing of the resolution objectives in the context of securing its financial stability objectives as set out in the FIRO and the operational mechanics (to be developed by the resolution authorities) for the implementation of the FIRO stabilization options.

*MB Rule 6.01*

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<sup>1</sup> The Financial Institutions (Resolution) Ordinance (Cap.628)(“**FIRO**”) vests in the three sectoral resolution authorities (being the Monetary Authority, the SFC or the Insurance Authority) with a range of powers to enable orderly resolution of a non-viable, systemically important financial institution for the purpose of maintaining financial stability, while seeking to protect public funds. In particular, Part 9 of the FIRO empowers a resolution authority to temporarily defer certain entities' disclosure obligations under section 307B of the SFO in certain circumstances (including that the disclosure would cause or contribute to the non-viability of the entity or its group company or impede the ability of the resolution authority to achieve orderly resolution), and in that case, the entities' disclosure obligations under the Rules will also be deferred automatically.

2. **Company A is an issuer of structured products listed on the Exchange. Company B, an unlisted group company of Company A, guarantees Company A's obligations under the structured products.**

**Company A is subject to Part 9 of the FIRO, while Company B is not.**

**Where Company A's disclosure obligations are deferred under section 150 of the FIRO or suspended of the FIRO or suspended under section 153 of the FIRO, will Company B's disclosure obligations remain intact?**

Where Company A's disclosure obligations are deferred under section 150 of the FIRO or suspended under section 153 of the FIRO, the Exchange will exercise the general waiver approved by the SFC under Main Board Rule 2.04 to waive Company B's disclosure obligations under the Rules arising out of or in connection with the possible resolution which may be triggered, or the resolution triggered under the FIRO.

*MB Rule 2.04*

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3. **Part 9 of the FIRO, as currently drafted, does not cover suspension of dealings in structured products listed under Chapter 15A of the Main Board Listing Rules that are cash settled only.**

**What will happen to dealings in the cash-settled structured products of an issuer that is subject to Part 9 of the FIRO in the three scenarios below?**

- (a) **Prior to the application of a stabilization option under the FIRO, where the relevant issuer also has securities as defined under the FIRO (e.g. shares) listed on the Exchange;**

Where the relevant resolution authority has served a direction under the FIRO on the Exchange to suspend, or not to suspend, the issuer's securities as defined under the FIRO (e.g. shares), the Exchange shall exercise its power under Main Board Rule 6.01 to suspend dealings, or refrain from directing a suspension of dealings, in the issuer's cash-settled structured products in the same way.

- (b) **Prior to the application of a stabilization option under the FIRO, where the relevant issuer does not have any securities as defined under the FIRO (e.g. shares) listed on the Exchange (i.e. the issuer issues cash-settled structured products only); or**

The relevant resolution authority shall inform the Exchange when the issuer's disclosure obligations has been deferred under the FIRO, and request the Exchange to suspend, or not to suspend, dealings in the issuer's cash-settled structured products.

The Exchange shall exercise its power under Main Board Rule 6.01 to suspend dealings, or refrain from directing a suspension of dealings, upon receipt of the resolution authority's request.

- (c) **When and if a "bail-in" under the FIRO is in effect.**

The relevant resolution authority shall inform the Exchange when and if a "bail-in" under the FIRO is in effect and the issuer's disclosure obligations are suspended by force of law pursuant to section 153 of the FIRO.



The Exchange shall exercise its power under Main Board Rule 6.01 to suspend dealings upon receipt of the notice.

*MB Rule 6.01  
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